

## Weekly Economic Bulletin

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## News Feature

### Exports up 11.5% in Jan, 3rd mth in row

Exports from India continued to rise steadily for the third consecutive month in January touching \$14.34 billion, an 11.5% growth from the \$12.86 billion recorded a year ago. In rupee terms, the growth was 4.9% in January from a year ago, said the commerce ministry.

In ten months from April-2009 to January-2010, exports stood at \$131.93 billion which showed a 17.8% decline in dollar terms from the same period a year ago due to the fall in exports in the initial months of the current fiscal. In rupee terms, the decline was 12.1%, the statement said.

Exports were hit badly by the slump in global demand in key western markets and were on a slide for 13 months since October 2008. The trend was reversed in November 2009 as exports grew 18.2%. In December the rise was 9.3%.

With economic activity on the rise and consequently the imports, the country's trade deficit almost doubled to \$10.36 billion for the month under review from \$ 5.3 billion in January 2009.

Imports clocked a positive growth for the second straight month after failing for 11 months in a row since December 2008. Inward shipments rose by 35.5% to \$24.70 billion in January from \$18.22 billion in the same period last year. Analysts said the rising trend of the past three months shows that the worst for India's exports is over. The government officials said fruits and vegetables, marine products and tobacco did exceedingly well in January while tea, coffee, gems & jewellery, drugs and plastics also improved.

However, engineering goods, textiles, jute, carpets, handicrafts and leather continued to fare badly.

"The figures are clearly reflecting that the exports are coming on the track," FIEO president A Sakthivel said. Oil imports in January went up by 56% to \$7.05 billion from \$4.52 billion the same month last year. Non-oil imports grew by 28.8% to \$17.65 billion compared with \$13.7 billion in January 2009.

<http://www.financialexpress.com/news/exports-up-11.5-in-jan-3rd-mth-in-row/585929/>

## Overseas Investment

### Double FDI target to \$75 bn in 2015: Rajan Mittal

"The country needs to double its FDI target from current \$33 billion to \$75 billion by 2015 for making India a leading manufacturing hub," industry chamber Ficci said.

Addressing his first press conference, Ficci president and vice chairman & managing director of Bharti Enterprises Rajan Bharti Mittal said, "Ficci will focus on making India the global investment destination with a target of \$75 billion FDI by 2015." Mittal pointed out that India is not considered as an investor-friendly nation as the industry still needs over two dozen clearances and permissions for setting up a single unit.

Calling for a strong collaboration between the industry, the Centre and states to tide over infrastructure gaps, Mittal said it is time the country geared up to become a major manufacturing hub by positioning it as an alternative to China. The country should look at attaining 10% GDP growth from 7-7.5%, he said. The country must urgently bridge the huge gap between its positions as one of the few FDI destinations and being ranked very low in the list of investor-friendly countries, he added.

Investments have been the prime driver of growth over the last few years but the country continues to be mired in "rules, regulations and red-tapism," he said.

<http://www.financialexpress.com/news/double-fdi-target-to-75-bn-in-2015-rajan-mittal/585938/>

### **FII's bounce back, infuse Rs 2,500 cr**

Some big buying by foreign funds sent the bears scurrying for cover as the Sensex and the Nifty both hit a five week high. Encouraged by the fiscal prudence of the government and its commitment to growth, Foreign Institutional Investors (FII), who have been liquidating positions in the Indian market over the past two months, checked back into the market running up a bill of nearly Rs 2,500 crore in the last two trading sessions. The fact that India is among the most expensive markets in the region didn't seem to bother them as they shopped for equities worth Rs 1,335 crore.

Domestic Institutional Investors (DII), however, seem to be staying away from the party and were net sellers of equities worth Rs 977 crore. FIIs bought equities worth Rs 1,094 crore, DIIs were net sellers to the tune of Rs 860 crore.

The 30-share BSE Sensex extended its gains by another 343 points or over 2% to end the trading session at 16,773 while the broader 50-share Nifty closed above the psychological 5,000 level gaining 1.92% or 95 points at 5,017.

The good news from the corporate front too has encouraged investors to shop for stocks. Moreover, a surge in Indian's exports by 11.5% during January 2010, the third consecutive month of strong growth and a positive outlook on India's sovereign rating by the global rating agency Moody improved investors' sentiments towards India. Deutsche Bank has a Sensex of 22,000 by end 2010. "The high GDP growth, coupled with the government's roadmap to rein in the fiscal deficit will boost FII interest while strengthening domestic consumption will lead to an accelerated return of the investment cycle," said Pratik Gupta, managing director, Head of Equities, Deutsche Bank.

<http://www.financialexpress.com/news/fiis-bounce-back-infuse-rs-2-500-cr/585934/>

## **Trade News**

### **Indo-UK tie-ups urged to tackle climate change**

India and the UK should work together to develop low carbon products and services in order to address the issue of climate change, according to the British Deputy High Commissioner, Mr Sanjay Wadvani.

“A number of companies in the UK are conducting research and working on new areas such as carbon sequestration and various other low carbon emitting technologies. India and UK should develop partnership in these areas,” Mr Wadvani said while speaking at a meeting on enhancing Indo-British business cooperation organised by the Bengal National Chamber of Commerce and Industry.

#### *Focus areas*

Talking about the bilateral trade between the two countries Mr Wadvani said more and more UK-based companies were looking at opportunities in India.

“The global economic meltdown brought about a fall in demand for products and services in the home country and that encouraged more and more companies to look overseas for opportunities and India was the most sought-after country by companies in the UK,” he said.

Manufacturing, engineering, infrastructure, ICT, healthcare and education would be the key areas of focus between the two countries, he added.

“There is a need to work closely in the education sector and increase collaborations both in university and vocational courses,” he observed.

<http://www.blonnet.com/2010/03/06/stories/2010030652171700.htm>

### **Taiwan keen on business ties with Kerala**

Taiwan, which has established trade and technical collaboration with various Indian States in recent times, has expressed keen interest to put Kerala on a priority list in these areas of interest, Mr Philip Wen-chyi Ong, Ambassador of Taiwan to India, has said.

Addressing newsmen in Kochi, as part of his three-day visit to the State, he said the focus in Kerala would be on seafood, IT and English teachers to begin with.

Though Taiwan is a highly literate country with 171 universities and a literacy rate of 97.3 per cent, its medium of education was largely in Chinese language and is now planning to give equal emphasis to English medium as well in order to attract more foreign students for its under-graduate and graduate-level courses.

To strengthen this area, it was looking for English teachers and Kerala was one of the regions from where it could find suitable hands, he said.

Taiwan had relaxed visa restrictions in respect of Indians in order to promote more business and tourist traffic between the countries and its educational expenses on foreign students were far cheaper as compared to western countries. Therefore, Indian students could now look to east “instead of west”, he added.

He said the Indo-Taiwan bilateral trade, which is estimated at \$5.3 billion, accounting for 1 per cent of Taiwan's total foreign trade at present, is set to grow tremendously in the next five years and invited Indian trade, business and tourists to visit Taiwan.

Mr David Hsu, Director, Economic division, Taipei Economic and Cultural Centre, New Delhi, also accompanied Mr Wen-chyi Ong on the Kerala visit which is facilitated by the Kerala State Industrial Development Corporation (KSIDC).

<http://www.blonnet.com/2010/03/05/stories/2010030551611900.htm>

### **India, Australia hold talks on trade expansion**

India and Australia held discussions regarding expansion of trade, promotion of investment and joint ventures in the field of prospecting and exploration of oil and natural gas, as well as in mining and infrastructure sectors.

The visiting Australian Minister for Foreign Affairs, Mr Stephen Smith, met the Indian Commerce and Industry Minister, Mr Anand Sharma, for his first interaction at a Ministerial level during his current visit to India, an official statement said.

The discussions also covered wide range of issues including forthcoming meeting of Joint Commission meetings between Australian and India from May 3-7, 2010. The constitution of a CEOs Forum by both the sides also figured during the discussions.

#### *CWG infrastructure*

Both sides also discussed the early completion of the Commonwealth Games infrastructure projects undertaken by the Australian companies. Both the Ministers expressed satisfaction at the on-going preparation for Commonwealth Games including the comprehensive security arrangements.

Mr Smith also expressed satisfaction about the security arrangements made during the Australian team's recent participation in shooting and hockey events, the statement said.

<http://www.blonnet.com/2010/03/03/stories/2010030351681700.htm>

### **Meet identifies prospects of trade with Bangladesh**

The North-East India Trade & Investment Conclave, organised jointly by the Indian Chamber of Commerce (ICC) and India-Bangladesh Chamber of Commerce & Industry (IBCCI) held in Dhaka recently addressed key issues in bilateral trade, according to a release issued by ICC.

The conclave was attended by over 200 delegates from Bangladesh and around 70 from India.

#### *Indian delegates*

The Chief Minister and two Deputy Chief Ministers of Meghalaya, Industry & Power Minister of Assam, Commerce & Industry Minister of Mizoram, Commerce & Industry Minister of Tripura and a high-level ICC delegation led by its President, Mr Vishambhar Saran, were present.

The delegation also met the Bangladesh Prime Minister, Ms Sheikh Hasina.

#### *Areas identified*

ICC identified several areas such as energy, covering electricity (both thermal and hydel), coal and oil and gas, telecommunication, healthcare, fertiliser, forest-based industries, spices, fruits vegetables, among others, which held out the promise to boost bilateral trade.

Special emphasis was paid on how to promote trade between India's north-eastern region and Bangladesh because of their physical proximity.

It was felt that investments and joint ventures in the north-eastern region could be horticulture, rubber, bamboo, tourism, hydro-electricity, agro and food processing and handloom and handicraft.

It was decided that ICC and IBCCI would regularly interact to review the progress of cooperation between the two countries, the release added.

<http://www.blonnet.com/2010/03/02/stories/2010030251451100.htm>

#### **Malaysia expects 650,000 visitors from India in 2010**

Following a 7.1 per cent growth in revenues from Indian tourists in 2009, Malaysia expects 650,000 visitors from India this year.

"We grew from 132,127 visitors from India in 2000 to 550,738 in 2008 and over 589,838 in 2009, which is an annual growth rate of 25 per cent each year for a decade. Tourism Malaysia has set a target of 650,000 visitors from India in 2010. This represents a growth of 10 per cent over 2009. The focus also includes increasing room nights. Besides, the tourists' receipts have increased from 1496.1 Ringgit Malaysia (RM) million in 2008 to 1601.8 RM million in 2009. We expect an increased growth this year," Dato' Mirza Mohammad Taiyab Beg, Director General of Malaysia Tourism said at a press conference in Ahmedabad.

The total number of global visitors to Malaysia was 22,052,488 tourists in 2008 as compared to 23,646,191 tourists in 2009, with tourism receipts of 49561.2 RM million in 2008 to 53362.7 RM million in 2009. However, the year-on-year growth in tourist arrival from India was 30.4 per cent in 2008 as compared to 7.1 per cent in 2009.

India is one of the top five ranked markets for Malaysia and is just below China in the non surface markets category.

According to Dato' Mirza, the profile of tourists from India too has been changing rapidly with almost 50 per cent tourists being in the age group 25 to 34. "From the initial family holiday for two nights to Kuala Lumpur, the destination has grown to 6.6 room nights average stay per person in 2009. This means Malaysia has graduated from being just a shopping stop that is part of a package tour to being a multi-location destination. In addition, over 25 per cent of the tourists from India to Malaysia are repeat visitors. Almost 50 per cent of Indians visiting Malaysia are between the age group 25 to 34. These travelers are conscious of a budget, but have an agenda. The Indian outbound tourists especially youngsters are evolving. Besides, we provide an ideal shopping destination, a vibrant night life and there is lots for adventure tourism, ecological tourism, etc which caters to the youth. We have a number of tourists who visit Malaysia as a part of their honeymoon travel. Especially the exotic beaches like Redang, Langkawi, Penang, Cameroon Highlands, etc are a perfect honeymoon destination," Dato' Mirza added.

<http://www.business-standard.com/india/news/malaysia-expects-650000-visitorsindia-in-2010/387516/>

## **Sectoral News**

### **Steel cos see double-digit growth**

India's top private steelmakers including Essar and JSW posted double-digit growth in sales volume with Ispat Industries' sales rocketing 70% in February 2010, over the year ago period, backed by robust demand from automobile and infrastructure sectors.

The rise in housing construction activities, too, lifted volume growth for the metal as did the low base effect as companies were producing less the previous year due to low demand.

Indian steel industry has witnessed a sharp decline in demand since the second half of 2008, a period that saw most steel companies cut production with some units running at half their normal capacity. But demand started gathering pace post April 2009 and steel consumption grew 8% in the first nine months of the fiscal ending March'10.

JSW, the country's second largest private steel maker, posted robust growth in sales during the month but declined to divulge the growth figures. "We ramped up production capacity to 7.8 million tonne in the second half of last year from 3.8 million tonne early last year. So, monthly sales have moved up in line with production," JSW director (sales) Jayant Acharya said.

The company produced 5.42 million tonnes of crude or basic steel in February 2010, 61% higher than the corresponding period last year. Ispat Industries witnessed significant double digit growth in sales over February 2009 as the company was operating at a low production capacity last year.

Meanwhile, Ruias-owned Essar Steel posted 10% growth in sales volume in February 2010. Unlike other firms we had resumed normal production by February last year, the company spokesman said.

Steel demand will continue to rise going forward because a lot of emphasis has been laid on infrastructure development in the budget, say industry watchers. The government has proposed to invest Rs 1,73,000 crore in infrastructure in 2010-11, which will increase demand for metals and commodities like steel and cement.

“Robust demand absorbed the capacity addition that took place during the year and is reflecting in last month’s steel sales volume growth. More capacity addition is likely to happen in the next two years,” Ernst & Young partner Navin Vohra said. He said steel demand is improving globally, but overcapacity still exists in some markets of China, Europe and the US.

<http://economictimes.indiatimes.com/news/news-by-industry/indl-goods/-/svs/steel/Steel-cos-see-double-digit-growth/articleshow/5649023.cms>

### **Cement sales up 28% on government's core push**

Cement sales in the country have risen by an average 28% in February, underscoring a sharp pick up in the consumption of the key building commodity, following the government’s thrust on infrastructure spending and a revival in real estate.

According to the February sales of five cement companies, including the Aditya Birla Group, Jaiprakash Associates, Dalmia, JK Lakshmi and Shree Cements, there has been a robust growth mainly due to higher consumption by the building industry.

These five companies together account for almost half of India’s total capacity of 240 mt.

“Demand will remain robust due to the rise in construction activities,” said R Gurumoorthy, executive director of Dalmia Cement. “Capacity addition may result in oversupplies in some markets, but it would be offset by enhanced consumption.”

Dalmia Cement, which mainly operates in southern India, saw a 28% rise in its sales. With a capacity of 9 mt, the company’s sales and production touched 3.58 mt and 3.90 mt, respectively, in February.

Jaiprakash Associates, the flagship company of Delhi-based Jaypee Group, has posted a 61% jump in sales in February to 11.61 lakh tonne. The company has since increased its target capacity to 35 mt from 22 mt.

Sectoral analysts said demand will rise over the next two quarters, as most firms are expanding current projects aggressively, due to increased construction activities from the Commonwealth Games, which is scheduled to be hosted in Delhi.

<http://economictimes.indiatimes.com/news/news-by-industry/indl-goods/-/svs/cement/Cement-sales-up-28-on-governments-core-push/articleshow/5638861.cms>

## **Healthcare sector beneficial for long-term investors**

Healthcare is emerging as one of the fast-growing service sectors in India, contributing 6% to the country's growth domestic product (GDP). As two-third of the expenditure on healthcare is contributed by the private sector, it offers huge growth opportunity for corporate hospitals and healthcare providers. Given this, listed private sector companies offer promising opportunity to investors.

ETIG analysed the performance of five leading listed companies in the sector, such as Apollo Hospitals Enterprises, Fortis Healthcare, Indraprastha Medical Corp, Fortis Malar Hospital and Kovai Medical Centre & Hospital, over the past 12 quarters. The companies, while showing steady rise in the topline, have also seen a gradual improvement in their operating margins, even though most of them being in an expansion mode. On an aggregate basis, net sales (for the 12 trailing months ended December 2009) increased 60% in the past two years. The aggregate operating profit has more than doubled during the same period. The operating profit margin has increased to 15.7% for the year ended December 2009 from 12.3% in the previous year. Players are either seeing turnaround in their loss making units or reduction in their losses.

Most of these players have been on an expansion mode setting up critical care or super specialty healthcare centres. Leading players, such as Apollo Hospitals and Fortis Healthcare, are raising funds for their organic and inorganic expansions. Market leader Apollo Hospitals plans to raise \$30 million through a private equity funding. Another aggressive player, Fortis Healthcare has plans to raise around Rs 1,250 crore for funding its acquisitions. The company had earlier raised funds through a public issue followed up by a rights issue. It acquired 10 Wockhardt hospitals last year. Other smaller players too are either upgrading their existing facilities or entering newer markets. Due to the funding requirements of the companies in the sector, many private equity firms have exposure in healthcare sector. This is also an indication of the potential of growth of the sector.

The government is also treating healthcare as a priority sector. In the last Union Budget, the government had provided five 1-year tax holiday for setting up new private healthcare facilities in tier-2 and tier-3 cities. The increased penetration of medical insurance is also helping the growth of the private sector in healthcare. The insured population can avail of the high-priced better quality treatment provided by the players in the sector. The stocks of healthcare companies have performed varyingly on the bourses. While Fortis Malar Hospital and Fortis Healthcare have out-performed the Sensex over the last year, Apollo Hospitals has been an underperformer till now. The stocks of Indraprastha Medical and Kovai Medical Centre have shed their recent gains and are currently under performing the Sensex. Given the growth potential of the sector, it is beneficial for long-term investors to have exposure in it.

<http://economictimes.indiatimes.com/features/investors-guide/Healthcare-sector-beneficial-for-long-term-investors/articleshow/5629768.cms>

## **India tops exporting generic medicines**

India tops in the world in exporting generic medicines worth of Rs 50,000 crore and currently, the Indian pharmaceutical industry is one of the world's largest and most developed, according to union minister of state for chemicals and fertilisers Srikanta Jena.

The country, today, exports to more than 200 countries around the globe including the highly regulated markets of US, Europe, Japan and Australia. India exported drugs worth around \$8 billion in 2008-09, most of which to the US and Europe, followed by Central and Eastern Europe, Latin America and Africa.

"The Indian pharmaceutical industry, now a Rs one lakh crore industry, has shown tremendous progress in terms of infrastructure development, technology, human resource with a wide range of products. It has established its presence and has shown determination to flourish in a changing environment", Mr Jena on Sunday told "The ET".

Mr Jena was here to launch Jan Ausadhi Abhiyan, the National campaign to ensure universal reach of generic medicines across the population.

The country now ranks 3rd worldwide in volume and 14th in terms of value. The industry now produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing technologies.

"Formulations in various dosage forms are being produced in Good Manufacturing Practice (GMP) and WHO compliant facilities. Strong scientific and technical manpower and pioneering work done in process development have made these possible", Mr Jena remarked adding that the Department of Pharmaceuticals is working with the vision to make India one of the top five global pharmaceutical innovation hubs by 2020.

<http://economictimes.indiatimes.com/Foreign-Trade/India-tops-exporting-generic-medicines/articleshow/5655014.cms>

### **Auto sales continue to cruise ahead in Feb**

In yet another sign of India's economic recovery, a key indicator of economic growth—auto sales have seen a rise again. Early numbers for vehicle sales show that Indians are emptying their wallets for big-ticket vehicle purchases.

The growth engine, which jumpstarted in 2009, is continuing on top gear in the second month of 2010 as well, continuing to surprise the market. While Tata Motors' total sales shot up 58%, 69,427 vehicles over 43,811 vehicles sold in February 2009, Maruti Suzuki posted total sales (including export of 11,885 vehicles) of 96,650 vehicles over 79,190 vehicles sold in February 2009, up 22%.

Tata Motor's domestic sales surged 56% at 66,190 vehicles compared to 42,493 sold in February 2009, while exports came in at 3,237 vehicles, up 146%. Its commercial vehicles segment recorded highest ever sales clocked by the company, which grew 67% at 39,205 units versus 23,493 units sold in February 2009. LCV sales too were up 49% at 21,764 units—highest ever for the company. Medium and heavy commercial vehicle sales stood at 17,441 units, a growth of 98% over February last year.

The passenger vehicles business reported a total sale and distribution offtake of 29,241 units (26,985 Tata + 2,256 Fiat) in the domestic market in February 2010, the highest ever and a 43.7% increase compared to 20,348 units (19,039 Tata + 1,309 Fiat) in February last year. On a month-on-month basis, Maruti recorded its highest ever monthly sales in the history to 96,650 units breaking its January 2010 record which stood at 95,649 vehicles.

In February 2010, the company sold 84,765 units in the domestic market--up 20% over corresponding month last year. This is the highest ever domestic sales in a month. The previous highest monthly domestic sale was 81,087 units, recorded in January 2010.

Another four-wheeler major Hyundai Motor India recorded a 46.1% push in its sales, which stood at 31,001 units in February 2010.

Total sales of two- and three-wheeler major Bajaj Auto shot up 78% to 2,68,678 units sold in February 2010 from 1,53,782 units sold in February 2009. Powered by its Pulsar and Discover brands, Bajaj motorcycle sales grew by 80% to 2,34,710 units in February 2010 over 1,31,785 units sold in February 2009. Exports for the company continued its strong momentum, and posted a 53% rise to 77,642 units from the 50,738 units exported in February 2009.

<http://www.financialexpress.com/news/auto-sales-continue-to-cruise-ahead-in-feb/585914/>

### **Coffee exports surge 43% on increased global demand**

India's coffee exports have surged 43% to 38,734 tonne during the first two months of 2010 on the back of higher domestic production coupled with increased demand from overseas.

In the value terms, exports have jumped 48% at Rs 434.5 crore, as per the Coffee Board data released on Tuesday. In the corresponding period of 2009, India, world's sixth largest coffee producer, exported 27,000 tonnes worth Rs 290 crore.

“Coffee exports have picked up because domestic supplies were better than that of last year,” a senior Coffee Board official said. Coffee production is estimated to increase at 2.89 lakh tonne in the 2009-10 season, which runs October to September, compared to 2.62 lakh tonnes in the previous season.

The official noted that demands from overseas have also increased owing to stable price of Indian coffee. Italy, Russian Federation and Germany were the top three importers during the period under review. India has shipped a maximum quantity of 7,463 tonne to Italy, followed by 5,609 tonne to Russian Federation and 3,764 tonne to Germany.

According to the data, of the total coffee exports of 38,734 tonne during the first two months, over 29,000 tonne were shipments of Indian coffee, while the remaining 9,726 tonne was re-export, which is a form of instant coffee. Exporters such as CCL Products (India) have shipped 4,936 tonne of coffee, Nestle India 3,281 tonnes and Tata Coffee 2,875 tonne in the January-February period of 2010.

<http://www.financialexpress.com/news/coffee-exports-surge-43-on-increased-global-demand/585896/>

## **News Round-Up**

### **India Inc salaries may rise 10.6% in 2010: Hewitt**

India Inc will see the highest rise in salaries among Asia-Pacific countries this year, led by sectors like engineering, procurement and construction, banking, finance and insurance, retail and IT, according to a study by Hewitt Associates.

Indian wages will rise by 10.6 per cent, compared to 6.6 per cent in 2009, said the Hewitt India Salary Increase Survey 2009-2010. The salary hike will be across all the levels.

“The economy has shown faster recovery in sectors that rely on domestic growth and consumption, while recovery in sectors that have global dependence is expected to gain speed by mid-2010. This growth and the fact that 2009 saw a lot of salary freeze and salary cuts, are providing an impetus for healthy increase in compensation for employees,” said Sandeep Chaudhary, leader of Hewitt’s Performance and Rewards Consulting practice in India.

The survey covered 465 companies across 20 primary industries. The findings say domestic companies are expected to outperform MNCs with a projected average salary increase of 11.4 per cent as against a 10.2 per cent by the latter.

Nevertheless, the slowdown has brought a definitive change in compensation philosophy. Salaries in 2010 will see a rise in the variable component. Variable pay as part of total compensation will increase to 24.8 per cent in case of top executives, from 20.8 per cent in 2009. In case of senior management, the variable component is expected to go up to 20.5 per cent, from 17.1 per cent last year.

India Inc also saw sharper performance differentiation. Those employees, who exceeded expectations, received a salary hike of 13.4 per cent in 2009 when the industry average was 6.6 per cent.

<http://www.business-standard.com/india/news/india-inc-salaries-may-rise-106-in-2010-hewitt/387580/>